

T-390

U.S. DEPARTMENT OF THE INTERIOR

C-IA-BIA-25-84

OFFICE OF INSPECTOR GENERAL AUDIT REPORT

REVIEW OF INDIVIDUAL INDIAN MONEY ACCOUNTS
ADMINISTERED BY THE BUREAU OF INDIAN AFFAIRS
(CONSOLIDATED REPORT)



This report may not be disclosed to anyone other than the auditee
except by the Assistant Inspector General for Administration,
Office of Inspector General, U.S. Department of the Interior,
Washington, D.C. 20240.

OTR Albug.

OST #

96-01853

File: OIG Aud Rep

MARCH 1986

DATE

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
HIGHLIGHTS	4
FINDINGS AND RECOMMENDATIONS	8
1. Reconciliations of Accounts	8
2. Supervised Accounts	17
3. Interest Computations	29
4. IIM Account Maintenance	33
5. Internal Controls	42
6. Confirmations of IIM Disbursements	48
7. Control and Review of the IIM Operation	50



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20240

March 31, 1986

Memorandum

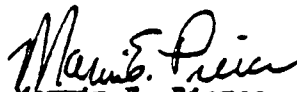
To: Assistant Secretary for Indian Affairs

From: Assistant Inspector General for Auditing

Subject: Audit Report: "Review of Individual Indian Money Accounts (IIM) Administered by the Bureau of Indian Affairs (Consolidated Report)"

The attached report summarizes the results of our comprehensive reviews of BIA's IIM operations at five agencies. The report is primarily concerned with problem areas which we noted were common to most or all of the agencies' operations reviewed, and we believe probably will be found at the other BIA agencies administering IIM funds. Since these are systemwide deficiencies, they will require corrective action by the Assistant Secretary for Indian Affairs.

The legislation creating the Office of Inspector General requires semiannual reporting to the Congress on all audit reports issued, actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been completed. In view of this, and as required by 360 DM 5.3D, please furnish a response to this report by May 31, 1986. The response should include information on the recommendations implemented or an action plan which identifies the target dates and officials responsible for implementing the recommendations. If further information concerning this report is needed, please contact Andrew Payne, Regional Audit Manager, at FTS 776-9243 or (303) 236-9243.


Marvin E. Pierce
(For the Assistant Inspector
General for Auditing)

INTRODUCTION

The Office of Inspector General (OIG) audited Bureau of Indian Affairs (BIA) Individual Indian Money (IIM) accounts administered by five BIA agencies for the 3 years ending September 30, 1983. To ensure a wide range of audit coverage, we selected for review three agencies with automated IIM operations and two with manual operations. In addition, the selection included a range of agency operations from a large number of accounts with low dollars (Pine Ridge - 8,800 accounts and \$750,000 in account balances) to a low number of accounts with high dollars (Osage - 1,890 accounts and \$24 million in account balances). Our review was made, as applicable, in accordance with the "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" issued by the Comptroller General of the United States and, accordingly, included those tests and auditing procedures as were considered necessary in the circumstances.

The objectives of this review were to determine if: (1) IIM accounts were established and maintained in accordance with applicable BIA guidelines and Federal regulations, (2) the IIM operating practices of the agencies were adequate to provide for proper recordkeeping of Indian moneys and to prevent misuse of those moneys, and (3) Indians and tribal organizations were using IIM accounts in lieu of commercial banking services.

BIA operates the IIM system to partially fulfill its trust responsibility for Indians. The IIM system is used by BIA to distribute funds received for Indians, to help Indians needing a fiscal custodian to manage their money, to hold funds deposited for a special purpose, and to provide certain financial services to tribal organizations.

The IIM system consists basically of two types of accounts:

1. Individual Indian Accounts - These include supervised and unsupervised accounts. Supervised accounts are administered by the agencies for minors, individuals declared non compos mentis or under other legal disability, individuals determined to be in need of assistance with

their financial affairs, and deceased Indians. Unsupervised accounts are predominantly accounts for which moneys are received and immediately distributed to the account holders after posting to their accounts to reflect the receipt of those moneys. Our review of unsupervised accounts was limited to selective disbursements from those accounts that were included in our judgmental sample of disbursement confirmations (see finding on Confirmations of IIM Disbursements).

2. Special Deposit Accounts - These accounts are established for the temporary deposit of funds which cannot be readily distributed to specific accounts. They include funds such as advance deposits on leases or permits on trust or restricted Indian lands, advance payments or deposits required on timber or other natural resources sales from Indian lands, deposits for rights-of-way over Indian lands, and contract advance funds.

Except for contract advances, all IIM accounts are entitled to earn interest. Earnings from investments of IIM funds are computed semiannually and distributed to individual accounts.

Approximately 250,000 IIM accounts are maintained at 60 BIA agencies. At September 30, 1983, about \$436 million was on deposit in those IIM accounts.

Individual audit reports were issued for each of the five agencies, which addressed problems and recommended corrective actions unique to the agency audited. However, we also noted problem areas common to most or all of these agencies, which we believe will be found throughout the other BIA agencies administering IIM funds. This report describes these problem areas and recommends actions that should be taken by the Assistant Secretary for Indian Affairs to correct these deficiencies.

The audits were conducted from February 1984 to September 1985 at the following locations:

Anadarko Agency
Pine Ridge Agency
Concho Agency
Osage Agency
Pawnee Agency
Division of Accounting
Management

Anadarko, Oklahoma
Pine Ridge, South Dakota
Concho, Oklahoma
Pawhuska, Oklahoma
Pawnee, Oklahoma
Albuquerque, New Mexico

OIG's Western Region conducted a similar audit of IIM operations at the Phoenix Area Office and its Salt River, Pima, Western Nevada, and Uintah and Ouray Agencies during 1984. The results of that review were presented in a separate report dated September 28, 1984. That report included findings similar to some of the administrative control findings shown in this report. We have noted in this report when findings were reported by the Western Region.

4. IIM ACCOUNT MAINTENANCE

We noted unauthorized (voluntary deposit) accounts and inactive accounts at all agencies. At two agencies, unnecessary work was being expended on estates' accounts. Finally, unclaimed moneys were generally ignored, funds were not transferred to appropriate Treasury accounts, and no attempt was made to locate account holders with addresses unknown.

Voluntary Deposits

All agencies were maintaining an inordinate number of voluntary accounts that we considered to be unauthorized. This condition was also noted at all four agencies audited by OIG's Western Region. Not only were these voluntary deposits prohibited by regulation, but also agency resources were being expended on the maintenance of these accounts, which could have been more effectively used for the maintenance of its other required IIM accounts.

Regarding voluntary deposits, 25 CFR 115.6 states: "As a general rule, voluntary deposits shall not be accepted. Indians who require banking service shall be encouraged to utilize commercial facilities. If in any case, it is determined that an exception to this prohibition should be made to avoid a substantial hardship, the facts in the case shall be considered...."

Tribal accounts were found to be the most common type of voluntary deposits. The five agencies maintained a total of 160 tribal accounts at the time of our reviews. We examined 107 of these accounts, with balances exceeding \$2.1 million, and concluded that 61 (57 percent) were voluntary in nature.

Generally, the tribal IIM accounts that we reviewed, although differing in their stated purposes, did have one similarity; they appeared to be maintained for the convenience of various tribal organizations. One account was for a tribal hat factory, while another was for a tribal golf course and a park. In another example, an account was established in 1980,

ostensibly for land acquisition. This account, with a balance of \$150,700 in February 1984, had the appearance of a savings account (very few disbursements with only one made in FY 1983). Other accounts were of a similar nature. In still another example, a tribal land account had 588 disbursements made from it during FY 1983. The operation of this account, and many others, had more the appearance of commercial checking accounts.

We did not take exception to any tribal IIM account if it was being used by BIA to disburse funds for various authorized purposes; e.g., judgment awards, Federal management of tribal real properties, etc. The use of IIM accounts for tribal operations was discussed with cognizant agency officials. They stated that many of these accounts had been in use for long periods of time and agreed that they were voluntary in nature. No justifiable reasons were given for the establishment of these accounts. We were also told that some tribal IIM accounts were started because the agency did not know what else to do with certain available funds or were started simply in response to requests by tribal officials.

In three of the five agencies, we noted adult IIM accounts which were essentially voluntary deposits. For example, an individual at one agency asked for his account to be "supervised" (presumably because of lack of capacity to manage his own funds) and subsequently made large, apparently unsupervised withdrawals totaling in excess of \$1 million. At another agency, five individuals were allowed to make voluntary deposits into IIM accounts from April 1981 to April 1983, totaling more than \$100,000.

The five agencies are currently maintaining over 37,000 IIM accounts. Any diminution of this number, by eliminating voluntary deposit accounts, could help decrease the amount of overall control that is currently required to manage these accounts.

Inactive Accounts

None of the agencies had periodically reviewed its IIM and special deposit accounts for inactivity. As a result, they were maintaining a significant number of inactive accounts, which required additional resources to